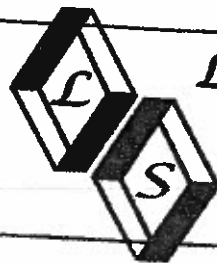




FREMONT COUNTY SCHOOL
DISTRICT #38

FINANCIAL REPORT

JUNE 30, 2012



*LOVELETT,
SKOGEN &
ASSOCIATES, P.C.*

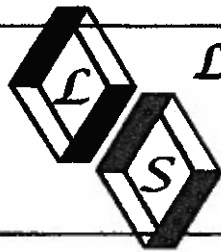
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Fremont County School District #38
Arapahoe, Wyoming

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fremont County School District #38, as of and for the year ended June 30, 2012, which collectively comprise the Fremont County School District #38's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fremont County School District #38's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fremont County School District #38 as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2013, on our consideration of Fremont County School District #38's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Roxy L. Skogen, CPA, CFE

Michael J. Cometto, CPA, CFE

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont County School District #38's financial statements as a whole. The combining and individual nonmajor fund financial statements, and detail schedule of revenues, expenditures and transfers of the general fund, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, other supplemental schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying basic financial statements, supplementary information, and our independent auditors' reports are for the purpose of meeting local, state, and federal requirements and for the use of those entities and the management and the Board of Trustees and should not be used or relied upon by any other party for any purpose. Additional users of these financial statements, supplementary information, and independent auditors' reports are hereby advised that the liability of Lovelett, Skogen & Associates, P.C. to third party users who use or rely on this information may be limited pursuant to 1995 Wyoming Session Laws, Chapter 155 creating Wyoming Statute §33-3-201.

Lovelett, Skogen & Associates, P.C.

Casper, Wyoming
May 20, 2013

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2012**

This section of Fremont County School District No. 38's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

In total, net assets decreased \$658,478, which represents a 1.7% decrease from 2011. The total change in fund balances for the governmental funds was an increase of \$117,960. This change in overall fund balance consisted of an increase in the fund balance of the General Fund of \$93,251, and an increase in the fund balance of the Special Revenue Fund of \$24,709. Net assets of the Food Services Fund decreased by \$31,903.

State and Federal revenues accounted for \$12,446,393 or 96.1% of all governmental funds revenues, while property taxes of \$510,205 or 3.9% accounted for most of the rest.

The District had \$12,495,993 of governmental fund expenditures. This is a 21.9% decrease from the prior year due mainly to \$16,307 spent on capital construction versus \$2,340,244 spent on the K-8 school building in the prior year.

Total assets of the District decreased by \$884,414, as total liabilities of the District decreased by \$194,033. The primary reasons for these changes was a prior period adjustment of \$422,536 depreciation taken against capital assets and a decrease in liabilities related to compensated absences paid prior to the end of the year.

Overview of the Financial Statements

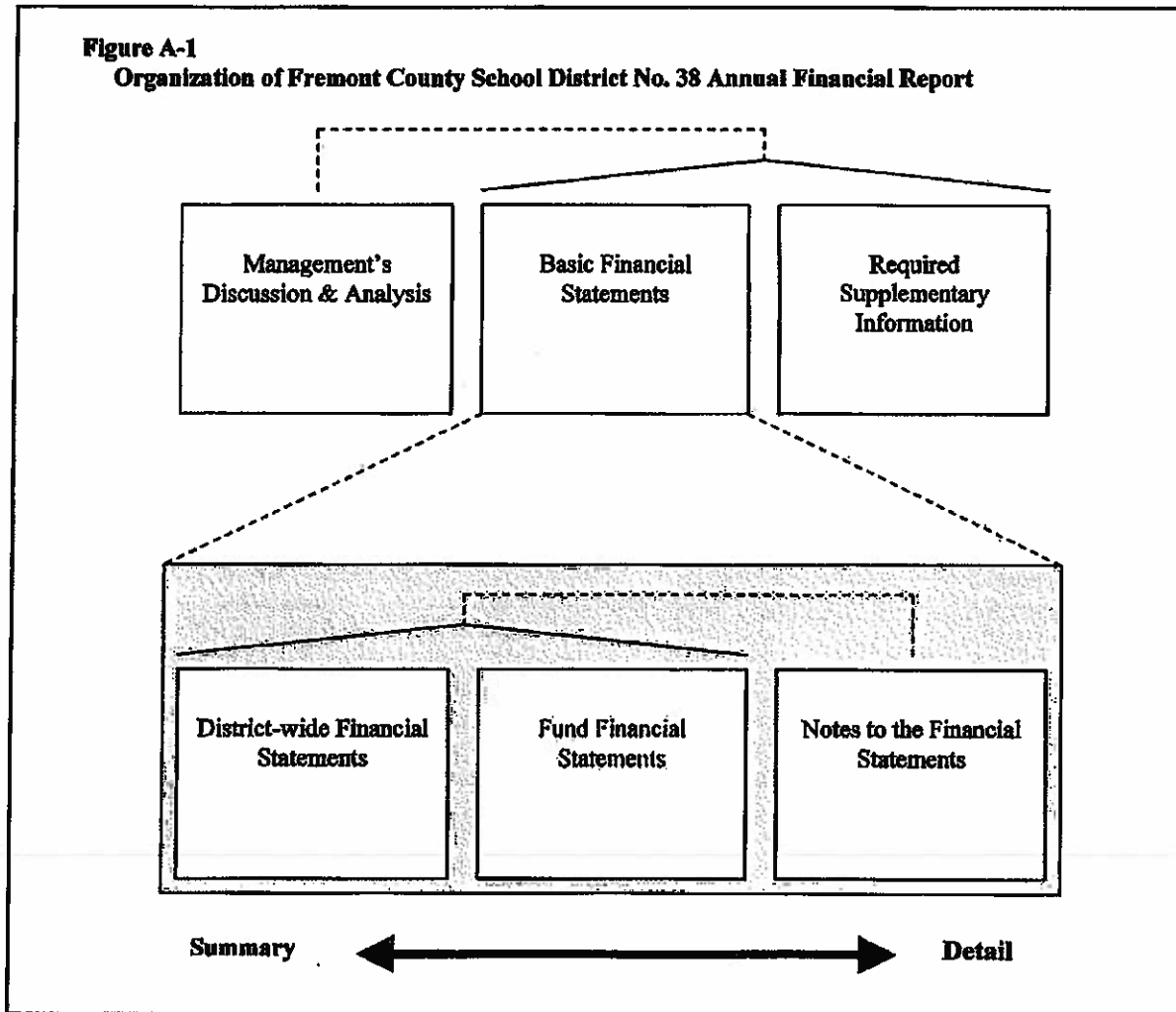
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* provide information that shows how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2012**

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.



**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2012**

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Business Type Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similarly to a private business, such as food services	Instances in which the District administers resources on behalf of someone else, such as student activities and employee monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets – • Statement of revenues, expenses, and changes in fund net assets 	<ul style="list-style-type: none"> • Statement of fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long- term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received	N/A

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2012**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two district-wide statements report the District's *net assets* and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's enrollment and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities can be divided into two categories:

- *Governmental activities:* Most of the District's basic services are included in this category, such as regular and special education, transportation, and administration. Property taxes and the State Foundation Program finance most of these activities.
- *Business-type activities:* The Food Services Fund is used to account for the District's school breakfast and lunch programs. Operating revenues are comprised of user charges. Non-operating revenues are comprised of grant revenues, interest income, and transfers from other funds.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Certain funds are required by state law, while the District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has three types of funds:

Governmental funds: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional reconciling statements explain the relationship (or differences) between them.

Food Services fund: The Food Services Fund is used to account for the District's school breakfast and lunch programs. Operating revenues are comprised of user charges. Non-operating revenues are comprised of grant revenues, interest income, and transfers from other funds.

Fiduciary funds: The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2012**

Financial Analysis for the District as a Whole

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$37,870,902 at the close of the most recent fiscal year.

- The largest portion of the District's net assets (\$26,638,031 or 70.4%) represents its investment in capital assets (e.g., land, buildings, vehicles, and equipment net of accumulated depreciation). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.
- The remaining portion of the District's net assets (\$11,200,993 or 29.6 %) reflects the excess of its current assets over its total liabilities. The District's Board of Trustees has restricted \$20,979 of this portion of the District's net assets for specific uses as outlined by granting agencies.

At June 30, 2012, the District was able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Table 1 shows a summary of the District's Statement of Net Assets as of June 30, 2012 and 2011.

**Table 1
Summary Statement of Net Assets
As of June 30, 2012 and 2011**

	2012	2011
Assets		
Current and Other assets	\$ 12,028,708	\$ 11,852,512
Capital assets, net of depreciation	26,638,031	27,698,641
Total assets	38,666,739	39,551,153
Liabilities		
Current liabilities	736,529	839,291
Long-term liabilities	91,186	182,457
Total liabilities	827,715	1,021,748
Net assets		
Invested in capital assets, net of related debt	26,628,197	27,698,641
Restricted	340,423	315,714
Unrestricted	10,870,404	10,515,050
Total net assets	\$ 37,839,024	\$ 38,529,405

The District's total net assets decreased by \$690,381 in the current year. The reason for the decrease is due to three factors. One, the decrease is hugely attributed to the depreciation expense of \$422,536 that should have been taken at June 30, 2011. That combined with a decrease in revenues and increase in expenses resulted in the decrease in net assets.

Unrestricted net assets increased by \$355,354 and restricted net assets decreased by \$24,709 during the year ended June 30, 2012.

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2012**

Table 2 is a summary of the changes in net assets for the District for the years ended June 30, 2012 and 2011.

**Table 2
Summary Statement of Activities
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Revenues		
Program revenues:		
Charges for Services	\$ 21,142	\$ 31,483
Operating grants and contributions	1,521,537	4,654,042
General revenues:		
Property taxes	544,789	316,894
Intergovernmental	11,075,805	10,977,667
Other local sources	69,317	95,137
Interest and investment earnings	6,677	5,727
Total revenues	13,239,267	16,080,950
Program Expenses		
Instruction	7,260,834	6,876,599
Support services	1,974,772	2,349,489
Administration	1,191,790	1,586,936
Facilities maintenance and operations	1,316,584	149,030
Transportation	977,130	1,037,856
Depreciation	--	335,373
Food Services	652,931	602,540
Community services	5,583	19,698
Loss on disposal of capital assets	--	468,739
Other	127,488	--
Total expenses	13,507,112	13,426,260
Prior Period Adjustment	(422,536)	--
Increase (decrease) in net assets	\$ (690,381)	\$ 2,654,690

Governmental Activities

Intergovernmental revenues (including grants and contributions not restricted to specific programs) comprised 95.2% of general revenues in 2012, as compared to 96.3% in 2011. As can clearly be seen, the District is financially dependent upon federal and state revenues to continue its operations. Property taxes comprised 4.1% of general revenues in 2012 as compared to 2.8% in 2011.

Instructional expenses comprised 53.8% of total expenses in 2012, as compared to 55.7% in 2011.

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2012**

Other highlights include:

- The cost of all *governmental* activities this year was \$12,495,993.
- Most of the District's costs were financed primarily by County, State and Federal taxpayers. This portion of governmental activities was financed with \$544,789 in property taxes, \$11,075,805 of unrestricted state and federal aid and \$1,266,688 in restricted state and federal aid.

Financial Analysis of the District's Major Funds

The General Fund ended with an increase in overall fund balance of \$93,251. The increase in the unreserved fund balance results from receiving more money than was spent.

The Special Revenue Funds fund balance increased by \$24,709 in the current year. This change is comprised mainly of the District receiving more money for major maintenance than it spent.

Since all expenditures of the Grants Programs equal the revenues there is no fund balance.

The Food Services Fund, which accounts for the District's school breakfast and lunch programs, saw its net assets decrease by \$31,903 in 2012. This is primarily due to a loss before transfers of \$366,210. There was a transfer from the General Fund in the current year of \$345,037.

Capital Assets

Capital Assets

At the end of the 2012 fiscal year, the District had invested \$26,464,609 in a broad range of capital assets, including school buildings, athletic facilities, land, vehicles, and equipment. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$940,210.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of a number of existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment has remained fairly constant for the past several years and is expected to remain somewhat constant into the foreseeable future. Student enrollment is one of the major factors in determining funding from the State of Wyoming and the Federal Government; so a consistent student population should mean consistent funding. The District may see an increase in student enrollment due to decreasing federal funds that may adversely affect the St. Stephens Indian School which is a US Department of the Interior Bureau of Indian Education funded school that operates in the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's taxpayers, patrons, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ken Smith, Business Manager, Fremont County School District No. 38, 445 Little Wind River Bottom Road, Arapahoe, WY, 82510.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and short-term investments	\$ 11,694,008	\$ 25	\$ 11,694,033
Cash with fiscal agent	12,824	-	12,824
Receivables:			
Property taxes	9,729	-	9,729
Other governments, grants	301,440	855	302,295
Other entities	3,262	-	3,262
Inventories	-	6,565	6,565
Internal balances	200,678	(200,678)	-
Capital assets:			
Land	128,582	-	128,582
Other capital assets, net of accumulated depreciation	26,336,027	173,422	26,509,449
Total assets	<u>38,686,550</u>	<u>(19,811)</u>	<u>38,666,739</u>
Liabilities:			
Accounts payable	106,313	4,945	111,258
Accrued salaries and benefits	583,664	7,122	590,786
Deferred revenue	34,485	-	34,485
Current portion of long-term obligations	23,098	-	23,098
Noncurrent portion of long-term obligations	68,088	-	68,088
Total liabilities	<u>815,648</u>	<u>12,067</u>	<u>827,715</u>
Net Assets:			
Invested in capital assets, net of related debt	26,454,775	173,422	26,628,197
Restricted for:			
Capital maintenance	319,444	-	319,444
Recreation district	20,979	-	20,979
Unrestricted	11,075,704	(205,300)	10,870,404
Total net assets	<u>\$ 37,870,902</u>	<u>\$ (31,878)</u>	<u>\$ 37,839,024</u>

See accompanying notes to financial statements.

**FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instructional services				
Regular instruction	\$ 5,212,351	\$ -	\$ 110,414	\$ -
Special education	2,036,183	-	986,445	-
Vocational education	12,300	-	12,209	-
Supporting services:				
Students	694,593	-	2,056	-
Instructional staff	464,983	-	155,564	-
Central services	815,196	-	-	-
School administration	664,183	-	-	-
Business services	439,382	-	-	-
Operation and maintenance of facilities	1,316,584	-	-	-
Pupil transportation	977,130	-	-	-
General administration	88,225	-	-	-
Community services	5,583	-	-	-
Other	127,488	-	-	-
Total Governmental Activities	12,854,181	-	1,266,688	-
Business-Type Activities:				
Food service	652,931	21,142	254,849	-
Total District	\$ 13,507,112	\$ 21,142	\$ 1,521,537	\$ -

General revenues:

Property taxes levied for:

 General purposes

 Major Maintenance

Federal and state aid not restricted to specific purposes:

 Federal sources

 State Foundation Program

 Other State Sources

Earnings on investments

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior period adjustment

Net assets - beginning, as restated

Net assets - ending

See accompanying notes to financial statements.

Net (Expenses) Revenue and Changes in Net Assets		
Total Governmental Activities	Business-Type Activities	Total
\$ (5,101,937)	\$ -	\$ (5,101,937)
(1,049,738)	-	(1,049,738)
(91)	-	(91)
(692,537)	-	(692,537)
(309,419)	-	(309,419)
(815,196)	-	(815,196)
(664,183)	-	(664,183)
(439,382)	-	(439,382)
(1,316,584)	-	(1,316,584)
(977,130)	-	(977,130)
(88,225)	-	(88,225)
(5,583)	-	(5,583)
(127,488)	-	(127,488)
(11,587,493)	-	(11,587,493)
-	(376,940)	(376,940)
(11,587,493)	(376,940)	(11,964,433)
510,205	-	510,205
34,584	-	34,584
2,798,051	-	2,798,051
8,277,754	-	8,277,754
69,317	-	69,317
6,677	-	6,677
(345,037)	345,037	-
11,351,551	345,037	11,696,588
(235,942)	(31,903)	(267,845)
38,529,380	25	38,529,405
(422,536)	-	(422,536)
38,106,844	25	38,106,869
\$ 37,870,902	\$ (31,878)	\$ 37,839,024

FUND FINANCIAL STATEMENTS

FREMONT COUNTY SCHOOL DISTRICT #38
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Grant</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Programs</u>	<u>Funds</u>	<u>Funds</u>
Assets:				
Cash and short-term investments	\$ 11,533,885	\$ (180,300)	\$ 340,423	\$ 11,694,008 ✓
Cash with fiscal agent	12,824	-	-	12,824 ✓
Receivables:				
Property taxes	9,729	-	-	9,729
Other governments, grants	-	301,440	-	301,440
Other entities	3,262	-	-	3,262
Internal balances	195,900	4,778	-	200,678
Total assets	<u>\$ 11,755,600</u>	<u>\$ 125,918</u>	<u>\$ 340,423</u>	<u>\$ 12,221,941</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 101,204	\$ 5,109	\$ -	\$ 106,313
Accrued salaries and benefits	497,340	86,324	-	583,664
Deferred revenue:				
Grant programs	-	34,485	-	34,485
Property taxes	5,235	-	-	5,235
Total liabilities	<u>603,779</u>	<u>125,918</u>	<u>-</u>	<u>729,697</u>
Fund Balances:				
Restricted for:				
Capital maintenance	-	-	319,444	319,444 ✓
Recreation district	-	-	20,979	20,979 ✓
Unrestricted:				
Unassigned, reported in:				
General fund	11,151,821	-	-	11,151,821
Total fund balances	<u>11,151,821</u>	<u>-</u>	<u>340,423</u>	<u>11,492,244</u>
Total liabilities and fund balances	<u>\$ 11,755,600</u>	<u>\$ 125,918</u>	<u>\$ 340,423</u>	<u>\$ 12,221,941</u>

See accompanying notes to financial statements.

**FREMONT COUNTY SCHOOL DISTRICT #38
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total fund balances for governmental funds	\$ 11,492,244
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 128,582	
Land improvements, net of \$30,578 accumulated depreciation	219,605	
Buildings and improvements, net of \$2,533,776 accumulated depreciation	24,637,315	
Furniture and equipment, net of \$697,122 accumulated depreciation	897,910	
Transportation equipment, net of \$761,491 accumulated depreciation	571,744	
Leased equipment, net of \$497 accumulated depreciation	9,453	26,464,609

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.	5,235
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Long-term liabilities that pertain to governmental funds, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year end are:

Accrued vacation	\$ (81,352)	
Obligations under capital leases	(9,834)	(91,186)

Total net assets of governmental activities	\$ 37,870,902
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FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Major Funds		Other	Total
	General	Grant Programs	Governmental Funds	Governmental Funds
Revenues:				
Local sources	\$ 111,847	\$ -	\$ 4,362	\$ 116,209
County sources	388,761	-	-	388,761
State sources	8,347,071	118,987	34,584	8,500,642
Federal sources	2,798,051	1,147,700	-	3,945,751
Interest	6,637	-	40	6,677
Total revenues	<u>11,652,367</u>	<u>1,266,687</u>	<u>38,986</u>	<u>12,958,040</u>
Expenditures:				
Current:				
Instructional services:				
Regular instruction	4,717,092	110,504	-	4,827,596
Special education	1,121,952	987,250	-	2,109,202
Vocational education	603	12,218	-	12,821
Supporting services:				
Students	662,312	2,058	8,082	672,452
Instructional staff	345,961	155,691	-	501,652
Central services	814,835	-	-	814,835
School administration	630,776	-	-	630,776
Business services	449,332	-	-	449,332
Operation and maintenance of facilities	1,212,949	-	8,225	1,221,174
Pupil transportation	1,117,036	-	-	1,117,036
General administration	114,438	-	-	114,438
Other transportation	19,096	-	-	19,096
Community services	5,583	-	-	5,583
Total expenditures	<u>11,211,965</u>	<u>1,267,721</u>	<u>16,307</u>	<u>12,495,993</u>
Excess of revenues (under) over expenditures	<u>440,402</u>	<u>(1,034)</u>	<u>22,679</u>	<u>462,047</u>
Other financing sources (uses):				
Proceeds from capital lease	9,950	-	-	9,950
Transfers	(357,101)	1,034	2,030	(354,037)
Total other financing sources (uses)	<u>(347,151)</u>	<u>1,034</u>	<u>2,030</u>	<u>(344,087)</u>
Net change in fund balance	<u>93,251</u>	<u>-</u>	<u>24,709</u>	<u>117,960</u>
Fund balances - beginning	<u>11,058,570</u>	<u>-</u>	<u>315,714</u>	<u>11,374,284</u>
Fund balances - ending	<u>\$ 11,151,821</u>	<u>\$ -</u>	<u>\$ 340,423</u>	<u>\$ 11,492,244</u>

See accompanying notes to financial statements.

FREMONT COUNTY SCHOOL DISTRICT #38
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances-total governmental funds \$ 117,960

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 307,345	
Depreciation expense	<u>(940,210)</u>	(632,865)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Other financing source - capital lease	\$ (9,950)	
Principal payments of capital lease	<u>116</u>	(9,834)

Property tax revenues collected after the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Deferred property tax revenues decreased this year. 5,235

In the statement of activities, certain operating expenses - compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). During this year accrued vacation decreased. 283,562

Change in net assets of governmental activities \$ (235,942)

FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>Enterprise Fund</u>
Assets	
Current assets:	
Cash and investments	\$ 25
Due from other governments	855
Inventories	6,565
Total current assets	<u>7,445</u>
Capital assets:	
Equipment	199,246
Accumulated depreciation	<u>(25,824)</u>
Net capital assets	173,422
Total assets	<u><u>\$ 180,867</u></u>
 Liabilities and Net Assets	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 4,945
Accrued salaries and benefits	7,122
Due to other funds	200,678
Total current liabilities	<u>212,745</u>
Net assets:	
Invested in capital assets	173,422
Unrestricted	<u>(205,300)</u>
Total net assets	<u>(31,878)</u>
Total liabilities and net assets	<u><u>\$ 180,867</u></u>

See accompanying notes to financial statements.

FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Enterprise Fund</u>
Operating revenues:	
Charges for services:	
Food service	<u>\$ 21,142</u>
Operating expenses:	
Salaries	212,229
Employee benefits	109,253
Purchased services	9,207
Supplies and materials, including food	309,177
Depreciation	<u>13,065</u>
Total operating expenses	<u>652,931</u>
Operating loss	<u>(631,789)</u>
Nonoperating income:	
Federal sources, including commodity support	<u>254,849</u>
Total nonoperating income	<u>254,849</u>
Loss before transfers	<u>(376,940)</u>
Transfers in	<u>345,037</u>
Change in net assets	<u>(31,903)</u>
Net assets - beginning	<u>25</u>
Net assets - ending	<u><u>\$ (31,878)</u></u>

See accompanying notes to financial statements.

FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Receipts from lunch sales	\$ 21,142
Payments to suppliers	(318,729)
Payments to employees or on behalf of employees	(317,740)
Net cash used in operating activities	<u>(615,327)</u>
Cash flows from noncapital financing activities:	
Transfers in	345,037
Receipt of Federal aid	278,146
Net cash provided by noncapital financing activities	<u>623,183</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(7,856)
Net cash used in capital and related financing activities	<u>(7,856)</u>
Cash flows from investing activities:	<u>-</u>
Net change in cash	-
Cash - beginning	25
Cash - ending	<u>\$ 25</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (631,789)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	13,065
Increase (decrease) in accounts payable	(7,552)
Increase (decrease) in accrued salaries and benefits	3,742
Increase (decrease) in due to other funds	7,207
Total adjustments	<u>16,462</u>
Net cash used in operating activities	<u>(615,327)</u>
Noncash investing, capital, and financing activities:	none

See accompanying notes to financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

**FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF FIDUCIARY NET ASSETS
STUDENT ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

Assets:

Due from students	\$ 3,911
Total Assets	<u>\$ 3,911</u>

Liabilities

Accounts payable	\$ 648
Due to other funds	<u>3,263</u>
Total Liabilities	<u>\$ 3,911</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies

REPORTING ENTITY

For financial reporting purposes, Fremont County School District #38 (District) includes all funds, account groups, agencies, and authorities that are controlled by or dependent on the District. Oversight responsibility is determined by the extent of financial interdependency, selection of governing board, and ability to significantly influence operations. Financial interdependency results when a separate agency produces a financial benefit for or imposes a financial burden on a unit of government. Upon that occurrence, that agency becomes part of the reporting entity. Financial interdependency includes responsibility for debt. Oversight also includes accountability for fiscal matters. Fiscal authority normally includes the authority for final approval over budgetary appropriations, responsibility for funding deficits and operating deficiencies, disposal of surplus funds, control over the collection and disbursement of funds, and maintenance of title to assets.

BLENDED COMPONENT UNITS

Component units are legally separate organizations for which the District is financially accountable. A District is financially accountable for an organization if (1) the District appoints a voting majority of the organization's governing board and the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The Fremont County School District #38 Recreation District (the Recreation District) and the Arapahoe Charter High School (the Charter School) are considered to be component units of the District.

Fremont County School District #38 Recreation Board is also a legally separate, tax-exempt component unit of the District. The Recreation Board's funding is a one mill recreation levy imposed by the School Board. At the present time, most proposals for recreation projects will include facilities, construction, maintenance and operation, and equipment used by the District.

The Charter School was established on February 10, 2003, when the District's charter school application was approved by the Wyoming Department of Education as provided by Title 21, Chapter 3, Article 3 of the Wyoming Statutes. The purpose of the Charter School is to provide educational services to high school students with an emphasis on career/vocational standards. The Charter School and the District have the same Board, the District provides funding to the Charter School if the Charter School's funding from other sources is not sufficient to cover the Charter School's expenditures and the District collects the Charter School's revenues, pays the Charter School's obligations and accounts for all of the Charter School's financial transactions. The Board of the District insures the Charter School operates as required by the Charter School's charter, and

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

state and federal laws. The District and Charter School operate under a contract that establishes rights and obligations of each entity as it pertains to funding, compliance, and personnel. The Charter School is reported as a blended component unit of the District.

NATURE OF OPERATIONS

The operations of the District consist of providing educational services to the residents of Fremont County, Wyoming, primarily those residing on the Wind River Indian Reservation. The District operates under a locally elected five-member Board form of government and provides educational and supportive services as mandated by the State of Wyoming and/or federal agencies.

BASIS OF PRESENTATION

The District's financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

DESCRIPTION OF FUNDS

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into three categories governmental, proprietary and fiduciary.

Governmental Funds:

Governmental funds are those through which most governmental functions of the District typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the funds from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Governmental funds are organized as major funds or non-major funds with an emphasis placed on major funds. A fund is considered major if it is a primary operating fund of the District and meets the following criteria:

Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

In addition, any other governmental fund that the District believes is particularly important to the financial statement users may be reported as a major fund.

**FREMONT COUNTY SCHOOL DISTRICT # 38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Description of Funds and Account Groups, and Significant Accounting Policies (Continued)

The following are the District's major governmental funds:

General Fund

The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The instructional and most of the support service programs of the District are accounted for in the General Fund. The revenue of the fund consists primarily of local property taxes and federal and state funds. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Wyoming.

Grant Programs

The Grant Programs Fund is used to account for the proceeds of specific revenue sources (excluding state major maintenance) that are legally restricted to expenditures for specified purposes. The revenue of the Grant Programs Fund consists primarily of federal and state grants.

Proprietary Funds:

Proprietary Funds focus on the determination of changes in net assets, financial position and cash flows.

The Food Service Fund is an enterprise fund used to account for the operations of the school breakfast and lunch programs on a self-supporting basis. The fund is sustained by charges for breakfast, lunch, government subsidized meal costs and food commodities, and transfers from the General Fund. The Food Service fund had a deficit equity balance this year. The District is anticipating that the balance will be corrected through a transfer of funds from the District's general fund during the fiscal year ending June 30, 2013.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the programs.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies

SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fremont County School District #38 have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its financial statements.

Significant accounting policies followed by the District are as follows:

a) Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources and accrual basis of accounting. Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

a) Measurement Focus and Basis of Accounting (continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

Federal and State Grants and Entitlements

Federal and state grants and entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by block grants, and then by general revenues.

Deferred Revenue

On governmental fund financial statements, receivables that will not be collected within the available period, including property taxes, have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation are not recognized in governmental funds.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and financing activities, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

b) Budgetary Process

All funds are legally required to be budgeted and appropriated. The District's Board of Trustees annually adopts a budget and approves the related appropriations. Legal spending control is at the program level within each of the individual funds, management control is exercised at budgetary line item levels within each fund. The Board of Trustees may amend the budget after it is approved and also authorizes transfers between the various budgetary programs in any fund. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

c) Property Taxes

Property taxes are levied in the first week of August of each year and are collectible in two installments. Installments are due on September 1 and March 1 and are collectible on November 10 and May 10. If the first installment payment is made after November 10, the entire amount is due by December 31. Property taxes attach as an enforceable lien on the property if payment is not made by May 10 each year. On the government-wide statement of net assets, property tax receivable has been recorded at the estimated net realizable value with an estimated allowance for amounts uncollectible.

d) Cash, Cash Equivalents, and Investments

For purposes of the Proprietary Fund statement of cash flows, the Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments.

e) Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are recorded at cost if purchased, or at its fair market value as of the date of the gift if received as a donation. The District has implemented a \$2,500 capitalization policy. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

e) Capital Assets (continued)

extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

All reported capital assets except land, land improvements, and construction in progress are depreciated. Improvements are depreciated over the useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land improvements	10 – 15 years	
Buildings and building improvements	5 – 50 years	
General Equipment	5 – 15 years	5 – 15 years
Transportation equipment	4 – 10 years	

f) Inventories

Inventories are accounted for at the lower of cost (first-in, first-out method) or market under the consumption method.

g) Compensated Absences

The District offers full-time and permanent part-time certified employees various types of leaves for illness, personal purposes, legal and civil obligations, and professional improvement. Vacation and sick benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation and sick time when earned for all eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

All eligible employees, depending on contract period of the District receive a maximum of twelve days of sick leave each year. Sick leave can be accumulated up to 60 days. Amounts accrued in excess of this limit are paid at one-half the employee's current daily salary at the end of the school year. Classified and administrative personnel are entitled to vacation leave.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

h) Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

i) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets; net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

j) Fund Balance

The District uses the fund balance definitions in GASB Codification Section 1800 for financial reporting for all governmental fund types. The classifications are intended to depict the nature of net resources that are reported in a governmental fund. An individual fund could include any combination of these classifications.

Nonspendable Fund Balance

These fund balances are the net balance of assets and liabilities that are either legally or contractually required to be maintained intact or are "not in spendable" form. This includes all legally or contractually restricted balances as well as prepaid expenses, inventory, and other items considered "not in spendable" form.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

j) Fund Balance (Continued)

Restricted Fund Balance

These fund balances are the net balance of assets and liabilities that have provisions that are externally imposed. These are grants or other funds that are restricted by the debt covenants, grantor, contributor, or by laws or regulations of external governments. In general, these include legally enforceable requirements that the resources be used only for the specific purposes stipulated in the grant, debt covenant, or by law.

Committed Fund Balance

These fund balances are those imposed by a formal action taken by the Board of Trustees. Once the Board of Trustees has taken formal action the assets cannot be used for other purposes unless the Board of Trustees removes or changes the specified use by taking the same action it employed previously to commit the balances.

Assigned Fund Balance

Assigned fund balances are the net amounts of assets and liabilities constrained by the intent of the Board of Trustees. The intent will not be done by formal action of the Board of Trustees, but will be part of items such as the adopted budget or in a statement by the Board or by the Assistant Superintendent of Business/Finance.

Unassigned Fund Balance

Typically unassigned fund balances will be limited to the General Fund and by definition they are the residual balance for fund balance.

When an expenditure is incurred for purposes for which a combination of fund balances is available, the District applies restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, respectively.

k) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The statements of revenues, expenditures, and changes in fund balance – budget (non-GAAP) and actual presented for the General Fund and Grant Programs Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

- a) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- b) Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the major governmental funds:

	General Fund	Grant Programs Fund
Net change in fund balance - GAAP basis	\$ 93,251	\$ -
Revenue accruals	2,623	337,985
Expenditure accruals	(14,029)	53,761
Net change in fund balance - Non-GAAP budgetary basis	<u>\$ 81,845</u>	<u>\$ 391,746</u>

3. Cash and Investments

Authorized deposits are controlled by state statute and include but are not limited to deposits in banks, money market accounts, and treasury notes. Statutes also authorize the District to invest in the Wyoming Government Investment Fund (WGIF), which was established pursuant to the Wyoming Statutory Trust Act. Funds residing in this pool may have a maturity of less than three months. An annual report may be obtained for this entity at: 401 West 19th Street, Suite 300, Cheyenne, WY 82001.

Due to the short-term nature of the investments, WGIF reports their investments at amortized cost, which they believe approximates fair value. The investments with WGIF are investments not subject to credit risk categorization and the degree of risk and rate of return depends on the

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

3. Cash and Investments (Continued)

underlying portfolio. The District attempts to match its investment maturities to expected cash flow needs.

Deposits and investments at June 30, 2012 consist of and appear in the financial statements as summarized below:

Cash and short-term investments, statement of net assets	<u>\$ 11,676,870</u>
Cash in bank	\$ 292,593
WGIF	11,383,677
Petty cash	<u>600</u>
	<u>\$ 11,676,870</u>

The carrying amount of bank deposits at June 30, 2012 is \$292,593 and the bank balance is \$663,555. The differences between the carrying amount and the bank balances are due to outstanding checks and deposits not yet processed by the bank. The bank balance is covered by federal depository insurance

Also as noted above, the District invests funds in the Wyoming Government Investment Fund (WGIF), offered through U.S. Bank. Shares of the fund are offered exclusively to Wyoming governmental entities. WGIF invests in short-term commercial paper (maturity dates less than 90 days) and U.S. Government Agency Obligations. These investments are allowed under Wyoming Statutes. Due to the short-term nature of the investments, WGIF reports their investments at amortized cost, which they believe approximates fair value. The investments with WGIF are investments not subject to credit risk categorization and the degree of risk and rate of return depends on the underlying portfolio. The District attempts to match its investment maturities to expected cash flow needs. As of June 30, 2012, the 7 day yield of WGIF was .06%.

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FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 128,582	\$ -	\$ -	\$ -	\$ 128,582
Total capital assets, not being depreciated	128,582	-	-	-	128,582
Capital assets, being depreciated:					
Land improvements	250,183	-	-	-	250,183
Buildings and improvements	27,164,511	6,580	-	-	27,171,091
Equipment and contents	1,544,538	50,494	-	-	1,595,032
Transportation equipment	1,092,914	240,321	-	-	1,333,235
Equipment under capital lease	-	9,950	-	-	9,950
Total capital assets, being depreciated	30,052,146	307,345	-	-	30,359,491
Accumulated depreciation for:					
Land improvements	(13,899)	(16,679)	-	-	(30,578)
Buildings and improvements	(1,957,162)	(576,614)	-	-	(2,533,776)
Equipment and contents	(483,640)	(213,482)	-	-	(697,122)
Transportation equipment	(628,553)	(132,938)	-	-	(761,491)
Equipment under capital lease	-	(497)	-	-	(497)
Total accumulated depreciation	(3,083,254)	(940,210)	-	-	(4,023,464)
Total capital assets, being depreciated, net	26,968,892	(632,865)	-	-	26,336,027
Governmental activities capital assets, net	\$ 27,097,474	\$ (632,865)	\$ -	\$ -	\$ 26,464,609
Business-type activities:					
Equipment	\$ 191,390	\$ 7,856	\$ -	\$ -	\$ 199,246
Less accumulated depreciation	(12,759)	(13,065)	-	-	(25,824)
Business-type activities capital assets, net	\$ 178,631	\$ (5,209)	\$ -	\$ -	\$ 173,422

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Depreciation expense was charged to governmental functions of the District as follows:

Governmental activities:

Instructional services

Regular instruction	\$ 498,907
Special education	192
Vocational education	550

Supporting services:

Students	24,887
Central services	6,658
School administration	33,523
Operation and maintenance of facilities	130,008
Pupil transportation	128,244
Other transportation	9,091
General administration	8,849
Other support services	99,301

Total depreciation expense, governmental activities	<u>\$ 940,210</u>
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5. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 364,914	\$ 126,074	\$ (409,636)	\$ 81,352	\$ 20,338
Obligations under capital leases	-	9,950	(116)	9,834	2,760
Total governmental activity					
long-term liabilities	<u>\$ 364,914</u>	<u>\$ 136,024</u>	<u>\$ (409,752)</u>	<u>\$ 91,186</u>	<u>\$ 23,098</u>

Capital leases – The District leases a copier under a capital lease which provides for the purchase of the leased equipment for nominal amounts at the end of the lease term. The interest rate on the lease is 13.70%. Interest expense of \$114 as a result of the capital lease obligations is included in the government-wide statement of activities.

Accrued vacation - Eligible personnel are entitled to initial vacation leave after completing nine months of service, increasing thereafter depending on the length of service. Vacation days accumulated are not paid if not used, except for twelve month administrators and classified support personnel who can be paid up to 124 hours of unused vacation upon termination.

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Obligations (Continued)

Maturities on long-term debt for the years ending June 30, 2012 are as follows:

<u>June 30,</u>	
2013	\$ 2,760
2014	2,760
2015	2,760
2016	2,760
2017	<u>2,530</u>
	13,570
Less: amount representing interest	<u>(3,736)</u>
Minimum Future Lease Payments	<u>\$ 9,834</u>

6. Wyoming Retirement System

All Fremont County School District #38 permanent employees participate in the Wyoming Retirement System (System), a cost-sharing, multiple employer public employee retirement system. The System provides retirement benefits at age 60 with early retirement options available. The System also provides disability and death benefits. Benefits are established by State Statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Wyoming Retirement System, Herschler Building, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

The System statutorily requires 14.12% of the participant's salary to be contributed to the plan. Covered employees are required to contribute 7.00% with the District contributing the remaining 7.12%. The District has elected to pay the employees' share of the required contribution into the plan for its employees. The District's contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$730,375, 803,623, and \$615,729, respectively, equal to the required contribution for each year.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

7. Net Assets and Fund Balance

Specific restrictions of fund balance and net asset accounts are summarized below:

Grant programs – grant proceeds for which the District has met the eligibility requirements and thus recorded the revenue, but has yet to spend the funds on the specific program.

Capital construction – funds received which are restricted for acquisition and improvement of sites and construction and remodel of facilities.

Recreation District – Funds segregated for future recreation projects.

Specific assignments of fund balance are summarized below:

Capital construction - represents the portion of fund balance which is not available for general expenditures, but rather assigned for the acquisition and improvement of sites and construction and remodel of facilities.

The District has no committed funds at June 30, 2012.

The District has a retained deficit balance in its Enterprise Funds as of June 30, 2012. The District plans on correcting this through operating transfers in the 2012-2013 fiscal year.

8. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District currently manages said risk through the purchase of commercial insurance and participation in the Wyoming Workers' Compensation Program. All risk management activities are accounted for in the General Fund. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

9. Contingencies

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received in these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims would not have a material adverse effect on the overall financial position of the District as of June 30, 2012.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

10. Interfund Balances and Activity

The composition of internal balances, which have been eliminated for the government-wide basic financial statements, as of June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Grant Programs	General Fund	\$ 4,778
General Fund	Food Service Fund	200,678

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts will be repaid within the next fiscal year.

Transfers during the year are as follows:

<u>Transfer To Receiving Fund</u>	<u>Transfer From Paying Fund</u>	<u>Amount</u>
Enterprise Fund	General Fund	\$ 345,037
Agency Fund	General Fund	9,000
Capital Construction	General Fund	2,030
Grants Program	General Fund	1,034

The transfer to the enterprise fund from the general fund was a transfer of unrestricted funds to cover operations of the food service program. The transfer to the grant programs fund was to transfer a residual amount. The transfer to the capital construction fund was a transfer of unrestricted funds to cover the construction costs. The transfer to the agency fund was a transfer of unrestricted funds to cover the student activities. All transfers are in the normal course of District operations.

11. Prior Period Adjustment

The Government-wide financials were restated to reflect depreciation expense of \$422,536 that should have been taken at June 30, 2011 for assets placed in service during June 30, 2011. Accumulated depreciation was increased and net assets was decreased by the \$422,536.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COUNTY SCHOOL DISTRICT #38
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Local sources	\$ 82,000	\$ 82,000	\$ 111,920	\$ 29,920
County sources	225,000	225,000	386,065	161,065
State sources	8,135,800	8,135,800	8,347,071	211,271
Federal sources	2,800,000	2,800,000	2,798,051	(1,949)
Interest income	6,225	6,225	6,637	412
Total revenues	11,249,025	11,249,025	11,649,744	400,719
Expenditures:				
Current:				
Regular instruction	4,566,841	4,566,841	4,534,729	32,112
Special education	1,142,295	1,142,295	1,122,813	19,482
Vocational education	650	650	650	-
Supporting services:				
Students	680,200	680,200	662,312	17,888
Instructional staff	349,150	349,150	347,129	2,021
Central services	816,575	816,575	814,905	1,670
School administration	621,550	621,550	621,550	-
Business	508,540	508,540	508,540	-
Operation and maintenance of facilities	1,209,270	1,209,270	1,206,394	2,876
Pupil transportation	1,120,525	1,120,525	1,116,938	3,587
General administration	127,235	127,235	127,235	-
Community services	5,600	5,600	5,600	-
Other transportation	21,015	21,015	21,015	-
Total expenditures	11,169,446	11,169,446	11,089,810	79,636
Other financing sources (uses):				
Transfer in	660,975	660,975	-	-
Transfer out	(680,554)	(680,554)	(478,089)	202,465
	(19,579)	(19,579)	(478,089)	202,465
Excess of revenues over (under) expenditures and other financing uses	\$ 60,000	\$ 60,000	\$ 81,845	\$ 21,845

**FREMONT COUNTY SCHOOL DISTRICT #38
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) TO ACTUAL
GRANT PROGRAMS FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
State sources	\$ 201,074	\$ 201,074	\$ 138,077	\$ (62,997)
Federal sources	2,200,903	2,200,903	1,469,400	(731,503)
Total revenues	<u>2,401,977</u>	<u>2,401,977</u>	<u>1,607,477</u>	<u>(794,500)</u>
Expenditures:				
Current:				
Regular instruction	259,490	259,490	118,882	140,608
Special education	1,178,840	1,178,840	942,335	236,505
Vocation education	40,090	40,090	-	40,090
Students	2,058	2,058	2,058	-
Instructional Staff	235,195	235,195	153,491	81,704
Total expenditures	<u>1,715,673</u>	<u>1,715,673</u>	<u>1,216,766</u>	<u>498,907</u>
Other financing uses:				
Transfer from General Fund	-	-	1,035	1,035
	<u>-</u>	<u>-</u>	<u>1,035</u>	<u>1,035</u>
Excess of revenues				
(under) over expenditures	<u>\$ 686,304</u>	<u>\$ 686,304</u>	<u>\$ 391,746</u>	<u>\$ (294,558)</u>

OTHER SUPPLEMENTAL INFORMATION

**FREMONT COUNTY SCHOOL DISTRICT #38
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Recreation Board	Capital Construction Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and investments	\$ 20,979	\$ 319,444	\$ 340,423
Total assets	<u>\$ 20,979</u>	<u>\$ 319,444</u>	<u>\$ 340,423</u>
Liabilities and Fund Balances:			
Liabilities:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Restricted for:			
Recreation district	20,979	-	20,979
Capital projects	-	319,444	319,444
Total fund balances	<u>20,979</u>	<u>319,444</u>	<u>340,423</u>
Total liabilities and fund balances	<u>\$ 20,979</u>	<u>\$ 319,444</u>	<u>\$ 340,423</u>

**FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Recreation District	Capital Construction Fund	Total Nonmajor Governmental Funds
Revenues:			
Local sources	\$ 4,362	\$ -	\$ 4,362
State sources	-	34,584	34,584
Interest	-	40	40
Total revenues	<u>4,362</u>	<u>34,624</u>	<u>38,986</u>
Expenditures:			
Current:			
Supporting services:			
Students	8,082	-	8,082
Operation and maintenance of facilities	-	8,225	8,225
Total expenditures	<u>8,082</u>	<u>8,225</u>	<u>16,307</u>
Excess of revenues over expenditures	(3,720)	26,399	22,679
Other financing sources:			
Transfer from General Fund	<u>-</u>	<u>2,030</u>	<u>2,030</u>
Net change in fund balances	(3,720)	28,429	24,709
Fund balances - beginning	<u>24,699</u>	<u>291,015</u>	<u>315,714</u>
Fund balances - ending	<u>\$ 20,979</u>	<u>\$ 319,444</u>	<u>\$ 340,423</u>

FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF BALANCE SHEETS
GRANT PROGRAMS
JUNE 30, 2012

Grantor/Program Title	Pass-Through Grantor's Number	ASSETS			
		Cash	Due from Other Governments	Internal Balances	Total Assets
U.S. Department of Education					
Title I	120738T1A00	\$ (98,987)	\$ 150,014	\$ -	\$ 51,027
	110738T1A00	-	-	-	-
School Improvement Grants - ARRA	120738120300	(66,630)	66,737	-	107
Title I - ARRA	101738AT1A00	-	-	-	-
Perkins Vocational Education	120738VEA00	-	-	-	-
English Language Acquisition State Grant	N/A	2,607	-	-	2,607
Indian Education Grants to Local Education	N/A	(5,227)	21,061	4,778	20,612
Title VI-B Preschool	120738IPA00	(2,058)	2,058	-	-
	110738IPA00	-	-	-	-
Title VI-B/ Special Education	120738VIB00	(20,175)	20,484	-	309
	110738VIB00	-	-	-	-
Title II-D-ARRA	110738T2D00	22,845	-	-	22,845
Title IIA	120738T2A00	(32,558)	37,797	-	5,239
	110738T2A00	-	-	-	-
Education Jobs Funds - ARRA	110738AEDJ00	-	-	-	-
Homeless Education	N/A	-	-	-	-
U.S. Department of Labor					
Workforce Development Grants	N/A	10,248	-	-	10,248
U.S. Department of Interior					
Johnson O'Malley	N/A	-	-	-	-
Wyoming Department of Education					
Wyoming Bridges Skills	N/A	1,284	3,289	-	4,573
Instructional Facilitator	N/A	8,351	-	-	8,351
		<u>\$ (180,300)</u>	<u>\$ 301,440</u>	<u>\$ 4,778</u>	<u>\$ 125,918</u>

LIABILITIES			
Accounts Payable	Accrued Expenses	Deferred Revenue	Total Liabilities and Fund Equity
\$ -	\$ 51,027	\$ -	\$ 51,027
-	-	-	-
-	107	-	107
-	-	-	-
-	-	-	-
-	-	2,607	2,607
-	17,757	2,855	20,612
-	-	-	-
-	-	-	-
-	309	-	309
-	-	-	-
-	5,956	16,889	22,845
2,479	2,760	-	5,239
-	-	-	-
-	-	-	-
-	-	-	-
-	-	10,248	10,248
-	-	-	-
2,630	601	1,342	4,573
-	7,807	544	8,351
<u>\$ 5,109</u>	<u>\$ 86,324</u>	<u>\$ 34,485</u>	<u>\$ 125,918</u>

FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING USES
GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2012

Grantor/Program Title	Pass-Through Grantor's Number	REVENUES			
		Local	Federal	State	Total Revenue
U.S. Department of Education					
Title I	120738T1A00	\$ -	\$ 508,765	\$ -	\$ 508,765
	110738T1A00	-	45,667	-	45,667
School Improvement Grants - ARRA	120738I20300	-	170,926	-	170,926
Title I - ARRA	101738AT1A00	-	37,139	-	37,139
Perkins Vocational Education	120738VEA00	-	12,218	-	12,218
English Language Acquisition State Grant	N/A	-	-	-	-
Indian Education Grants to Local Education	N/A	-	114,306	-	114,306
Title VI-B Preschool	120738IPA00	-	2,058	-	2,058
	110738IPA00	-	3	-	3
Title VI-B/ Special Education	120738VIB00	-	103,482	-	103,482
	110738VIB00	-	2,202	-	2,202
Title II-D-ARRA	110738T2D00	-	2,825	-	2,825
Title IIA	120738T2A00	-	52,491	-	52,491
	110738T2A00	-	32,222	-	32,222
Education Jobs Funds - ARRA	110738AEDJ00	-	55,708	-	55,708
Homeless Education	N/A	-	2,224	-	2,224
U.S. Department of Labor					
Workforce Development	N/A	-	703	-	703
U.S. Department of Interior					
Johnson O'Malley	N/A	-	4,761	-	4,761
Wyoming Department of Education					
Wyoming Bridges Skills	715713MAY11	-	-	50,834	50,834
Instructional Facilitor	N/A	-	-	68,153	68,153
		<u>\$ -</u>	<u>\$ 1,147,700</u>	<u>\$ 118,987</u>	<u>\$ 1,266,687</u>

EXPENDITURES

Instruction	Instructional Support	Fund Transfers	Total Expenditures
\$ 508,765	\$ -	\$ -	\$ 508,765
45,667	-	-	45,667
170,926	-	-	170,926
37,139	-	-	37,139
12,218	-	-	12,218
-	-	-	-
114,306	-	-	114,306
-	2,058	-	2,058
3	-	-	3
103,482	-	-	103,482
2,202	-	-	2,202
-	2,825	-	2,825
-	52,491	-	52,491
-	32,222	-	32,222
55,708	-	-	55,708
3,258	-	(1,034)	2,224
703	-	-	703
4,761	-	-	4,761
50,834	-	-	50,834
-	68,153	-	68,153
<u>\$ 1,109,972</u>	<u>\$ 157,749</u>	<u>\$ (1,034)</u>	<u>\$ 1,266,687</u>

FREMONT COUNTY SCHOOL DISTRICT #38
DETAIL SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

District	
25 Mill district tax	\$ 88,294
Motor vehicle tax	21,742
Penalties, interest, and other	<u>1,811</u>
Total District	<u>\$ 111,847</u>
 County	
6 Mill county tax	\$ 319,200
Motor vehicle tax	32,660
Fines and forfeitures	31,050
Forest reserve	<u>5,851</u>
Total County	<u>\$ 388,761</u>
 State	
Foundation program entitlement	\$ 8,272,933
Tax shortfall grant	4,821
Other state unrestricted revenue	<u>69,317</u>
Total State	<u>\$ 8,347,071</u>
 Federal	
School Assistance in Federally Affected Areas (PL 103-382)	<u>\$ 2,798,051</u>
Total Federal	<u>\$ 2,798,051</u>
 Interest	<u>\$ 6,637</u>
 Proceeds from capital lease	<u>\$ 9,950</u>

FREMONT COUNTY SCHOOL DISTRICT #38
DETAIL SCHEDULE OF EXPENDITURES AND TRANSFERS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

Instruction	
Salaries	\$ 3,055,037
Employee benefits	1,585,162
Purchased services	1,086,392
Supplies and materials	256,532
Capital outlay	1,559
Other	2,145
Total Instruction	\$ 5,986,827
Instructional Support	
Salaries	\$ 433,543
Employee benefits	220,513
Purchased services	433,649
Supplies and materials	65,588
Capital outlay	18,862
Other	303
Total Instructional Support	\$ 1,172,458
General Support	
Salaries	\$ 1,755,530
Employee benefits	934,813
Purchased services	548,690
Supplies and materials	514,537
Capital outlay	275,768
Other	17,757
Total General Support	\$ 4,047,095
Community Support	
Purchased services	\$ 300
Supplies and materials	5,283
Total Community Support	\$ 5,583
Operating Transfers Out	
Transfers to Capital Projects Fund	\$ 2,030
Transfers to Special Revenue Fund	1,035
Transfers to Food Service Fund	345,037
Transfers to Student Activities Fund	9,000
Total Operating Transfers Out	\$ 357,102

**FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures
U.S. Department of Education:			
Direct funding:			
School Assistance in Federally Affected Areas (PL 103-382)	84.041	N/A	\$ 2,798,051
Indian Education Grants to Local Education Agencies	84.060A	N/A	114,306
Passed through Wyoming Department of Education:			
Title I	84.010A	120738T1A00	508,765
		110738T1A00	45,667
School Improvement Grants, ARRA	84.388A	120738I20300	170,926
Title I - ARRA	84.389A	101738AT1A00	37,139
Special Education	84.027A	120738VIB00	103,482
		110738VIB00	2,202
Title IIA	84.367A	120738T2A00	52,491
		110738T2A00	32,222
Title VI-B Preschool	84.173A	120738IPA00	2,058
		110738IPA00	3
WHHSM	84.186A	N/A	2,224
Title II-D-ARRA	84.386A	110738T2D00	2,825
Education Jobs Fund - ARRA	84.410A	110738AEDJ00	55,708
Perkins Vocational Education	84.048A	120738VEA00	12,218
Total U.S. Department of Education			3,940,287
U. S. Department of Agriculture:			
Passed through Wyoming Department of Education:			
Child Nutrition Cluster			
National School Breakfast Program	10.553	N/A	75,226
National School Lunch Program	10.555	N/A	156,039
National School Lunch Program Commodities	10.555	N/A	11,495
Fresh Fruits and Vegetable Program	10.582	N/A	12,088
Total U. S. Department of Agriculture			254,848
U.S Department of Labor:			
Passed through Wyoming Workforce Services			
Student Worker Services	17.259	N/A	703
U.S. Department of Interior:			
Passed through Bureau of Indian Affairs and Joint Business Council:			
Johnson O'Malley	15.130	N/A	4,761
Total Expenditures of Federal Awards			\$ 4,200,599

See accompanying notes to schedule of expenditures of federal awards.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Note 1. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of Fremont County School District #38. The District reporting entity is defined in Note 1 to the District's basic financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through other governmental agencies are included on the schedule. Of the federal expenditures presented in the schedule, the District provided no federal awards to subrecipients.

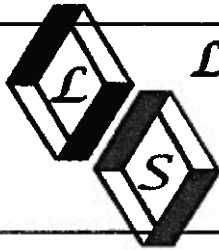
Note 2. Basis of Accounting

The accompanying schedule of expenditures of federal awards was prepared using the same basis of accounting used in preparation of the fund financial statements from which the information was derived as described in Note 1 to the District's basic financial statements. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Categorical block grants are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Cost-reimbursement grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Note 3. Commodities

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported as revenue, at fair market value, on the date received by the District.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Fremont County School District #38
Ethete, Wyoming

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fremont County School District #38 as of and for the year ended June 30, 2012, and have issued our report thereon dated May 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fremont County School District #38's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fremont County School District #38's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fremont County School District #38's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the schedule of findings and questioned costs as items 2012-1, 2012-2, and 2012-3 to be material weaknesses.

Roxy L. Skogen, CPA, CFE Michael J. Cometto, CPA, CFE

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questions costs as item 2012-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont County School District #38's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

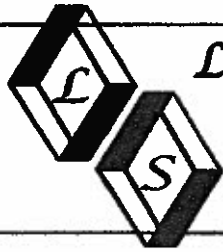
We noted certain matters that we reported to management of Fremont County School District #38 in a separate letter dated May 20, 2013.

Fremont County School District #38's response to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit Fremont County School District #38's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, Management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lovelett, Skogen & Associates, P.C.

Casper, Wyoming
May 20, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Fremont County School District #38
Ethete, Wyoming

Compliance

We have audited Fremont County School District #38's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Fremont County School District #38's major federal programs for the year ended June 30, 2012. Fremont County School District #38's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Fremont County School District #38's management. Our responsibility is to express an opinion on Fremont County School District #38's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fremont County School District #38's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fremont County School District #38's compliance with those requirements.

In our opinion, Fremont County School District #38 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Roxy L. Skogen, CPA, CFE

Michael J. Cometto, CPA, CFE

Internal Control over Compliance

Management of Fremont County School District #38 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fremont County School District #38's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fremont County School District #38's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the schedule of findings and questioned costs as items 2012-4 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2012-5 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses.

Fremont County School District #38's response to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit Fremont County School District #38's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lovelett, Skogen & Associates, P.C.

Casper, Wyoming
May 20, 2013

**FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2012**

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of auditors' report issued?	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions noted at the financial statement level?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of major programs' compliance opinion?	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	
	Name of Federal Program or Cluster	CFDA Numbers
	Title I Cluster:	
	Title I	84.010A
	Title I - ARRA	84.389A
	School Assistance in Federal Affected Areas (PL 103-382)	84.041A
(d)(1)(viii)	Dollar threshold: Type A/B programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low risk auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

2012-1, 2012-2, 2012-3

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2012-4, 2012-5

**FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

Section II – Financial Statement Findings:

**Finding 2012-1: Internal Control Structure
Material Weakness**

Criteria: Internal control is a process, affected by the District's Board of Trustees, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of its financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Internal control consists of five interrelated components:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

Condition: The District has established various components of internal control; however, it has not addressed all categories of internal control and has inherent limitations due to its limited size. We noted the following deficiencies which are considered to be material weaknesses:

The District has established its control activities over time to limit risk of error or fraud. However, the District is limited in size which reduces its ability to adequately segregate duties. Examples of the specific areas this affects include the following:

The Assistant Superintendent of Business/Finance has complete access to all accounting activities as well as approval authority for purchases and access to signature plates. The District has implemented various controls to monitor disbursements including the Superintendent reviewing unopened bank statements for unusual activities.

Payroll – Currently, all duties other than the bank reconciliation process are performed by one individual. All contracts and other employee pay are entered by the Payroll Clerk. The verification of time cards, entry into the system, preparing checks including facsimile signature, transmission to financial institution, etc. are completed by the Payroll Clerk. Written guidance is not provided to the Payroll Clerk and employees on necessary control components within the payroll process. The Assistant Superintendent noted that he is reviewing the payroll preparation, but that it is not documented.

**FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

Section II – Financial Statement Findings (Continued):

Condition (Continued):

Bank reconciliations – The District did not perform monthly bank reconciliations during the year.

Investments – Investment activities are performed by one individual.

Effect: The control deficiencies result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Recommendation: As noted above, the District has limited resources and may not be able to correct the deficiencies noted above. The District should assess control risk and when possible establish compensating controls.

The District should establish written payroll procedures. Prior to the first payment under the contract of the year, a policy should have employees complete a written election on the number of paychecks to be received and mandate all changes be written. All changes should be reviewed and approved by someone other than the Payroll Clerk or person making the change in the computer system. As controls and procedures are implemented, individuals involved need to be informed of the components of the internal control system and how important their duties are in fulfilling key control areas.

An additional control will be fiscal training for the School Principals and other Administrators. It is important that all involved in the control structure fully understand their roles and the element of control they provide such as purchase request, budget review, time card approval, etc.

**Finding 2012-2: Documentation of pay rates
Material Weakness**

Criteria: All employees must have documentation as to the rate of pay they are to receive. The rate of pay should be approved by the School Board as part of the budget process for employee payroll packages.

Condition: During our testing of payroll transactions 22 out of the 60 tested did not have documentation for the hourly pay.

Effect: There was no documentation as to the proper amount of pay. It is unknown if any employee was being paid a rate not approved by the School Board.

Recommendation: We recommend documentation for the proper wages be placed in the personnel files, and they be updated when the rate changes.

**FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

Section II – Financial Statement Findings (Continued):

**Finding 2012-3: Monitoring
Material Weakness**

Criteria: District personnel are required to monitor the District's capital assets through the use of a depreciation schedule that provides detail of all the District's assets and proper depreciation lives and expenses.

Condition: During the audit of capital assets for the current year it was noted that the asset additions added to the District's depreciation schedule during the fiscal year ending June 30, 2011 did not have any depreciation expense computed on them requiring a prior period adjustment to be necessary to the statement of activities in the amount of \$422,535.

Effect: A prior period adjustment in the amount of \$422,535 was needed to properly reflect the book value of capital assets at June 30, 2011.

Recommendation: The District should carefully review its depreciation schedules annually to ensure that the listing is complete and accurate.

Section III – Findings and Questioned Costs for Federal Awards:

**Finding 2012-4: Improper Reporting
School Assistance in Federally Affected Areas, 84.041 – US Department of Education
Material Weakness**

Criteria: Special Instruction kids are to be reported on Table 1 and all other students are to be reported on Table 3.

Condition: The Impact Aid application for the school year 2011 – 2012 submitted by the District on 1/31/2012 improperly reported special instruction kids under both Table 1 and Table 3.

Effect: The student count reported to the US Department of Education was overstated by 49 students which overstates the amount the District is to receive by \$451,937.

Recommendation: We recommend an amended application be submitted immediately for the correct amount of kids. The District must repay any overpayment received back to the US Department of Education.

**FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

Section III – Findings and Questioned Costs for Federal Awards (Continued):

Finding 2012-5: Time and Effort Logs

Title I, 84.010A - Department of Education

Title IIA, 84.027 - Department of Education

Passed through the Wyoming Department of Education, July 1, 2011 through June 30, 2012

Significant Deficiency

Criteria: Under the "Basis Guidelines" section of OMB Circular A-87, Attachment B, when an employees' time is split between Federal programs they are to maintain a time and effort log that supports the allocation of salaries among the various programs. They are also to maintain semi-annual certifications identifying the Federal program and signed by the Supervisor.

Condition: The District's semi-annual certification for an employee did not identify the Federal program and was not signed by the supervisor. The time and effort logs for an individual did not support the allocation used by the District.

Effect: The salary for the employee tested was over stated on the two payroll periods tested.

Recommendation: We recommend the District implement procedures to ensure that all employees who are paid under more than one Federal program have time and effort logs to support the amounts being charged to the program. We also recommend the semi-annual certification document must be reviewed to ensure that both the employee and supervisor signatures are proper.

**FREMONT COUNTY SCHOOL DISTRICT #38
RESOLUTION OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

**Finding 2011-1: Internal Control Structure
Material Weakness**

Condition: The District has established various components of internal control; however, it has not addressed all categories of internal control and has inherent limitations due to its limited size. We noted the following deficiencies which are considered to be material weaknesses:

The District has established its control activities over time to limit risk of error or fraud. However, the District is limited in size which reduces its ability to adequately segregate duties. Examples of the specific areas this affects include the following:

Cash and Cash Receipts – Collections of revenues for all major funds are made by one individual in the Central office. The entry of the receipts into the general ledger system and reconciliation of the bank statements is performed by this individual who also collects the cash and prepares the receipts. The individual is also responsible for the receipting and recording of revenue which is received by the District via direct deposit from Federal and State agencies.

Investments – Investments activities are performed by one individual.

Payroll – Currently, all duties other than the bank reconciliation process are performed by one individual. All contracts and other employee pay are entered by the Payroll Clerk. The verification of time cards, entry into the system, preparing checks including facsimile signatures, transmission to financial institution, etc. are completed by the Payroll Clerk. Written guidance is not provided to the Payroll Clerk and employees on necessary control components within the payroll process. The Assistant Superintendent noted that he is reviewing payroll preparation, but that it is not documented. Significant adjusting journal entries for reclassifying payroll entries were required during the year, indicating the need for constant monitoring and written procedures to be developed.

Resolution: The District will continue to review the processes and make changes where deemed appropriate to provide for further segregation of duties. Due to the limited size of the staff involved in the accounting functions, the District will continue to rely on after the fact monitoring as a compensating control for the limited segregation of duties. See current year finding 2012-1.

Fremont County School District No. 38
Schedule of Findings and Questioned Costs – Corrective Action Plan
June 30, 2012

Section II – Financial Statement Findings:

This section identifies the audit findings (significant deficiencies, material weaknesses, and instances of noncompliance material to the financial statements) related to the basic financial statements.

Finding 2012-1: Internal Control Structure

<i>Condition</i>	The district has established various components of internal control; however, it has not addressed all categories of internal control and has inherent limitations to its limited size.
<i>Criteria</i>	Internal control is a process, affected by the District's Board of Trustees, management and other personnel, designated to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of its financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.
<i>Effect</i>	The control deficiencies result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.
<i>Recommendation</i>	The District should assess control risk and when possible establish compensating controls.
<i>Management's Response</i>	<p>During the 2011-2012 fiscal year, high employee turnover in the business and administration offices created undue stress for the business office employees performing day-to-day operations. Mr. Stephen Henderson, Superintendent, separated from the District October 2011. Mr. John Law, Business Manager, separated from the District December 2011. Mr. Merle Smith, Business Manager, employed with the District April to June 2012. Mr. Jonathan Braack, Superintendent, began employment with the District January 2012. Mr. Dan Hudson, highly qualified consultant, contracted with the District January to April 2012 to maintain order in the business office. Stability in the administration was difficult to attain during the 2011-2012 fiscal year.</p> <p>In attempt to maintain open communications with staff, notifications of contract renewals in May 2013 were given to certified employees along with copies of their contracts and copies of the salary schedule. Any discrepancies in contracts were discussed with the business manager with each individual initialing any changes. Notifications of rehire were also given to classified employees as well.</p> <p>Business office procedure training is given to District employees at the beginning of the school year. Purchase requisitions, time cards, and approval structures are discussed.</p> <p>The District will establish multiple checking accounts to alleviate the difficulties experienced with the sweep account and pooled cash system, the payroll account and general checking.</p> <p>The District will establish written payroll procedures, and segregation of duties will be explored including duties pertaining to bank reconciliation and review.</p>

Fremont County School District No. 38
Schedule of Findings and Questioned Costs – Corrective Action Plan (Continued)
June 30, 2012

Section II – Financial Statement Findings (Continued):

Finding 2012-2: Documentation of pay rates

<i>Condition</i>	22 out of the 60 payroll transactions tested did not have documentation for the hourly rate.
<i>Criteria</i>	All employees must have documentation as to the rate of pay they are to receive. The rate of pay should be approved by the School Board as part of the budget process for employee payroll packages.
<i>Effect</i>	There was no documentation as to the proper amount of pay. It is unknown if any employee was being paid a rate not approved by the School Board.
<i>Recommendation</i>	Documentation for the proper wages should be placed in the personnel files, and they be updated when the rate changes.
<i>Management's Response</i>	<p>During the 2011-2012 fiscal year, high employee turnover in the business and administration offices created undue stress for the business office employees performing day-to-day operations.</p> <p>In May 2012, the Board of Trustees approved and adopted the FY 2012-2013 certified, classified and extra duty salary schedules. The administration salary schedule was approved July 2012. These salary schedules were included in the 2012-2013 Staff Handbook which was approved July 2012 by the Board of Trustees.</p> <p>In August 2012, employees signed a statement acknowledging that they have read the staff handbook and understand its contents. The appropriate salary schedule was placed in the employee's personnel file.</p>

Fremont County School District No. 38
Schedule of Findings and Questioned Costs – Corrective Action Plan (Continued)
June 30, 2012

Section II – Financial Statement Findings (Continued):

Finding 2012-3: Monitoring

<i>Condition</i>	During the audit of capital assets for the current year it was noted that the asset additions added to the District's depreciation schedule during the fiscal year ending June 30, 2011 did not have any depreciation expense computed on them requiring a prior period adjustment to be necessary to the statement of activities in the amount of \$422,535.
<i>Criteria</i>	District personnel are required to monitor the District's capital assets through the use of a depreciation schedule that provides detail of all the District's assets and proper depreciation lives and expenses.
<i>Effect</i>	A prior period adjustment in the amount of \$422,535 was needed to properly reflect the book value of capital assets at June 30, 2011.
<i>Recommendation</i>	The District should carefully review its depreciation schedules annually to ensure that the listing is complete and accurate.
<i>Management's Response</i>	The District has received a property valuation appraisal in December 2012 from Valuations Northwest, Inc. More accurate records can be maintained regularly for inventory, depreciation, and accumulated depreciation.

Fremont County School District No. 38
Schedule of Findings and Questioned Costs – Corrective Action Plan (Continued)
June 30, 2012

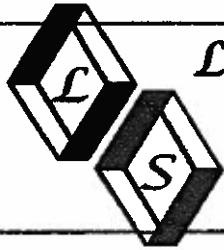
Section III – Findings and Questioned Costs for Federal Awards:

Finding 2012-4: Improper Reporting

<i>Condition</i>	The Impact Aid application for the school year 2011-2012 submitted by the District on 1/31/2012 improperly reported special instruction kids under both Table 1 and Table 3.
<i>Criteria</i>	Special Instruction kids are to be reported on Table 1 and all other students are to be reported on Table 3.
<i>Effect</i>	The student count reported to the US Department of Education was overstated by 49 students which overstate the amount the District is to receive by \$451,937.
<i>Recommendation</i>	An amended application should be submitted immediately for the correct amount of kids. The District must repay any overpayment received back to the US Department of Education.
<i>Management's Response</i>	The District will ascertain proper counts for Impact Aid applications and provide revised information to the US Department of Education.

Finding 2012-5: Time and Effort Logs

<i>Condition</i>	The District's semi-annual certification for an employee did not identify the Federal program and was not signed by the supervisor. The time and effort logs for an individual did not support the allocation used by the District.
<i>Criteria</i>	Under the "Basis Guideline" section of OMB Circular A-87, Attachment B, when an employee's time is split between Federal programs they are to maintain a time and effort log that supports the allocation of salaries among the various programs. They are also to maintain semi-annual certifications identifying the Federal program and signed by the Supervisor.
<i>Effect</i>	The salary for the employee tested was over stated on the two payroll periods tested.
<i>Recommendation</i>	The District should implement procedures to ensure that all employees who are paid under more than one Federal program have time and effort logs to support the amounts being charged to the program. The semi-annual certification document should be reviewed to ensure that both the employee and supervisor signatures are proper.
<i>Management's Response</i>	Time and effort logs were completed in January 2013 and have been implemented into the Teacher Checkout Checklist for the end of the school year which will be completed May 28, 2013.



**LOVELETT,
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ASSOCIATES, P.C.**

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To the Board of Trustees and Management
Fremont County School District #38
Arapahoe, Wyoming

In planning and performing our audit of the financial statements Fremont County School District #38 as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we Fremont County School District #38's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, during our audit, we noted certain matters involving internal control that are presented for your consideration. This letter does not affect our report dated May 20, 2013 on the financial statements of Fremont County School District #38. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are as follows:

Timely Deposits

During our testing of receipts 10 out of 60 selected were not deposited in a timely manner. The length of deposits ranged from 6 days to 29 days. Checks and cash should be deposited on a daily basis, if that is not possible then they should be deposited every other day to maintain adequate controls over cash. We recommend the District establish and maintain a policy to deposit funds in a timely manner.

Recording Deposits

During our testing of receipts, we noted in May 2012 the Business Manager changed where they were recording the deposits for meal reimbursements from a revenue account to an expense account. Revenues are to be recorded as revenues and not as contra-expenses. By changing the posting account within in the general ledger, both revenue and expenses were understated. We recommend greater care be taken when posting to the general ledger to ensure revenues are posted to revenue accounts.

Roxy L. Skogen, CPA, CFE

Michael J. Cometto, CPA, CFE

Bank Accounts

During our testing it was noted that the bank accounts were not reconciled on a monthly basis. The District uses a sweep account/pooled cash system. Utilizing the sweep system the reconciliation became complicated. Most problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the the District's procedures. We recommend the District look into setting up the following checking accounts; general checking; payroll checking; federal fund checking; capital construction checking; food service checking and agency checking. By having these checking accounts when transfers of funds are made there will be a cancelled check showing the transfer from one account with the offset showing the deposit as documentation. We further recommend that all bank accounts be reconciled monthly to the general ledger and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations maintained as to what caused the need for adjustment.

Travel Reimbursement

During our testing of expenses, we came across a travel reimbursement where the reimbursement did not agree with the IRS rate for that location. The District's policy is to use the IRS per diem travel rates. When the reimbursement was being calculated, the wrong rate was used which caused an employee to receive more than they should have. Payments in excess of the IRS per diem rates are deemed to be compensation and should have been included in the employee's Form W-2 as taxable wages. We recommend greater care be taken when reviewing the travel reimbursements to ensure the correct rate is used.

Recurring Payments

During our testing of expenses we noted a utility bill set up for recurring payments, in which the District did not keep the monthly invoice from the utility company as support for the voucher provided as support for the transaction. Even though the payment is recurring each month the bill should be printed out, reviewed, attached to the supporting voucher and filed as documentation for proper support. We recommend the invoice be printed out each month.

Time Sheet

During our testing of 60 payroll checks, we noted one employee did not have a time sheet for the amount of time they were paid. Hourly employees are required to maintain a time sheet documenting the amount of time they worked, and the wage is based on the hours worked. We recommend that time sheets be maintained for all hourly employees, that they be signed by the employee and employee's supervisor, and that they be reviewed by the Payroll Clerk to ensure that the time sheet is accurate and properly approved prior to a paycheck being prepared for the employee.

W-4

During our testing of 60 payroll checks we noted one employee did not have a W-4 in their file. Maintaining current personnel files is an important internal control. Complete and current personnel files should be established and maintained for each employee and the files should include the following information: Employment history, including the hire date; authorized salary/hourly wage data and withholding authorizations; employment contracts; authorized and current payroll deductions; current federal withholding tax forms (Form W-2); vacation data; sick leave data; reference checks and responses; and management authorization of all personnel changes. We also recommend that each employee file be reviewed at least annually to ensure that the above noted information is current and complete.

State Unemployment Taxes

During our testing of payroll we noticed the 4th quarter of 2010 and the 1st quarter of 2011 Unemployment taxes were paid with the 2nd quarter of 2011 in August 2011. The State Unemployment Taxes are to be paid within thirty (30) days each calendar quarter. If not paid in a timely manner, the District is subject to unnecessary penalties and interest assessed by the Wyoming Department of Employment. We recommend that procedures be implemented to ensure that the taxes are paid in a timely manner.

Free Meals

During our testing of the Food Service Revenues it was noted that the District provides free meals to adults. The District provides free meals to the following: substitute teachers; community members, and others that walk in. The cost to the District for the meals was approximately \$23,000. Per review of the reports filed with the Wyoming Department of Education for USDA reimbursement under the National School Lunch and Breakfast programs, these adult meals were not submitted for reimbursement. We recommend the District establish a formal policy documenting those individuals to whom meals will be provided at no charge and ensure the Food Service Fund is reimbursed for the associated costs from the General Fund. We also recommend that accurate counts be maintained of the adult free meals served through the Food Service Fund.

Food Service Fund Deficit

During the current year the Food Service Fund suffered a loss of \$31,903 which caused the fund to have a deficit net assets balance at June 30, 2012. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that costs (expenses, including depreciation) of providing goods and services on a continuing basis be financed or recovered primarily through user charges or transfers from general operating funds. The District did not transfer sufficient funds to cover the expenses of fund. We recommend the District evaluate the fund to ensure they transfer sufficient funds each year to cover the operations of the Food Service Fund to ensure its net asset balance remains positive.

Capital Lease Non-appropriation Clause

During our testing of the District's debt, it was noted that the capital lease entered into during the year did not have a non-appropriation clause. Under the State of Wyoming Statute §16-4-115 notes that all appropriations excluding appropriations for capital projects shall lapse following the close of the budget year to the extent they are not expended or encumbered which means that the Board of Trustees cannot place indebtedness on future Boards. Entering into a lease agreement for longer than one year without a non-appropriation clause indebts future Boards to fulfill the obligation which is in violation of the statute. We recommend the District review the State Statutes prior to entering into agreement to ensure they are in compliance.

We believe that the implementation of these recommendations will provide Fremont County School District # 38 with a stronger system of internal control and comply with laws and regulations as they pertain to school districts while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

This communication is intended solely for the information and use of the Board of Trustees, Management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Lovelett, Skogen & Associates, P.C.

Casper, Wyoming
May 20, 2013